TOURISM BRITISH COLUMBIA

CANADA

2004 TOURISM OUTLOOK

BUILDING TOURISM WITH INSIGHT

March 2004

The 2004 Tourism Outlook presents Tourism British Columbia's initial forecast of market performance for the coming year. Surveys of household travel intentions and motivations, mid-range projections of economic conditions and forward-looking indicators of business activity were all utilized in the development of this forecast.

The forecast is also predicated on the assumption that the confluence of major events that occurred during 2003, including the onset of the Iraq War, the appearance of Severe Acute Respiratory Syndrome (SARS), Bovine Spongiform Encephalopathy (BSE) and the unprecedented impact of forest fires in the British Columbia interior, will not have a lasting affect on the tourism industry. Tourism British Columbia had anticipated that industry recovery from the September 11th, 2001 terrorist attacks (which began in 2002) would gain momentum in 2003, and tourism would return to growth patterns experienced during the decade before 2001. However, the events of 2003 led to the largest decline in visitor volume since 1987. This forecast anticipates that these events will have a diminished impact on visitation during 2004 and onwards.

A recurrence of SARS, the mutation of the virus responsible for Avian Flu to permit human to human transmission or a major terrorist event would compromise this forecast. Tourism British Columbia will closely monitor these issues and other key factors, such as rates of economic growth in key markets and fluctuations in exchange rates, which will influence industry performance during the year, and will revise the forecast as necessary.

Overall visitation to British Columbia is forecast to increase 2.8% during 2004 to 22.5 million overnight visitors, generating $9.4 billion in revenue. Overseas and long haul North American markets are expected to grow more than short haul markets as travel patterns return to normal following the impact of the events noted above and as long haul air seat capacity rebuilds. Business travel is expected to grow as improved economic growth in many countries during the second half of 2003 should be sustained through 2004.

Market Origin	% Share Overnight Visitor Volume	2004 Overnight Visitor Volume Forecast (000s)	% Change From 2003	% Share Overnight Visitor Revenue	2004 Overnight Visitor Revenue Forecast ($M)	% Change From 2003
North America	**93.8%**	**21,016**	**2.6%**	**84.3%**	**7,884**	**4.6%**
BC Resident	49.7%	11,032	1.5%	28.2%	2,602	3.0%
Other Canada	21.2%	4,804	3.4%	29.6%	2,782	5.2%
United States & Mexico	22.8%	5,180	4.0%	26.5%	2,500	5.7%
Total Overseas	**6.2%**	**1,465**	**6.3%**	**15.7%**	**1,529**	**8.0%**
Asia Pacific	3.2%	765	8.9%	8.5%	854	10.5%
Europe	2.5%	568	3.2%	6.5%	605	4.7%
Other Overseas	0.5%	131	5.0%	0.7%	70	6.6%
Total International	**29.0%**	**6,645**	**4.5%**	**42.2%**	**4,029**	**6.5%**
Total Non BC Resident	**50.3%**	**11,436**	**4.1%**	**71.8%**	**6,811**	**6.0%**
Total	**100.0%**	**22,481**	**2.8%**	**100.0%**	**9,413**	**5.1%**

- *Market share based on Statistics Canada customs entries and BC Visitor Study estimates.*
- *Figures for 2003 in this document are estimates and will be revised when final year-end data is available.*
- *Readers are advised that Tourism British Columbia's forecast is subject to revision throughout the balance of the year and the contents of this report should not be construed as a recommendation on policy or actions.*

North America 2004 Outlook	2004 Overnight Visitor Volume Forecast (000s)	% Change From 2003	2004 Overnight Visitor Revenue Forecast ($M)	% Change From 2003
Total	***21,016***	***2.6%***	***7,884***	***4.6%***
British Columbia	11,032	1.5%	2,602	3.0%
Other Canada	4,804	3.4%	2,782	5.2%
United States	5,101	4.0%	2,443	5.6%
Mexico	79	7.0%	57	8.6%

Visitation from North America is forecast to increase 2.6% in 2004 to 21.0 million overnight visitors who will spend an estimated $7.9 billion in the province. Strongest growth is expected from Ontario, as domestic long haul air capacity rises and travel patterns begin to return to normal. Significant growth is also expected from Mexico.

British Columbia: Despite strong growth in employment, preliminary estimates suggest that the British Columbia resident market was flat during 2003 as SARS, the summer forest fires and other events took a toll on the tourism industry. Tourism British Columbia is forecasting that visitor volume from this market will increase 1.5% during 2004, driven by pent up demand from 2003, continued economic growth and an improving business environment. These positive factors will be tempered by the recent depreciation of the US dollar, which may result in some British Columbians vacationing in the United States rather than at home. Some segments of the British Columbia market are sensitive to fuel prices and weather conditions, thus continued high gas prices and poor weather, as well as the potential for terrorism and/or new health concerns, are among the risks to the forecast.

Canada: Visitation from other Canadian markets is forecast to rise 3.4% during 2004. Visitation from Alberta, British Columbia's largest Canadian market, is forecast to grow by 3.0% in 2004 as the economy will continue to perform well, air seat capacity to British Columbia will rise and Albertans, who avoided British Columbia during 2003 due to forest fires, return. Continued development of the Kootenay Rockies as a get-away destination and improved access to Vancouver Island through WestJet will contribute to this growth in visitation to British Columbia.

Visitation from Ontario is forecast to rise 5.0% during 2004 after falling an estimated 10.0% during 2003 due to the effects of SARS, forest fires, the August blackout and sluggish economic growth. A significant increase in air seat capacity from Ontario to British Columbia during 2004 should keep airfares down and encourage travel. The strength of the Canadian dollar will shift some travel by Ontario residents to the United States, preventing a complete recovery in travel to British Columbia. Current forecasts of economic growth are positive, which should increase consumer confidence and discretionary spending. However, Ontario is heavily dependent on exports to the United States and the current strength of the Canadian dollar may have a greater drag on the economy than anticipated.

The forecast for Canadian markets assumes that: 1) the Canadian economy will expand by 2.5% to 3.0% in 2004, 2) fuel prices will plateau or decline toward summer, 3) air access to and within British Columbia will gradually improve through the year, and 4) the Canadian dollar will remain in the $0.75 - $0.80 US range.

United States: Visitation from the United States is forecast to rise 4.0% during 2004 following an estimated decrease of 7.7% during 2003. American travel decreased during 2003 due to the Iraq war, concerns about SARS and then forest fires, and the depreciation of the US dollar which increased the cost of travel to Canada. With the exception of the exchange rate, the impact of these factors on travel will fade during 2004. While the exchange rate will continue to be a negative factor, the impact may be quite moderate because American visitors to British Columbia tend to be older, wealthier and less price sensitive than American travelers in general. With improving economic conditions, growing business and consumer confidence and scheduled increases in air seat capacity to British Columbia during 2004 the outlook is fairly positive.

This forecast assumes that the American economy will expand by 3.0% - 4.0% through 2004, the Canada - US exchange rate will remain in its current range, there will be no significant terrorist attacks in North America, and fuel prices will moderate through the summer. Tourism British Columbia will track events closely through the year and revise the forecast as necessary.

Asia/Pacific 2004 Outlook	2004 Overnight Visitor Volume Forecast (000s)	% Change From 2003	2004 Overnight Visitor Revenue Forecast ($M)	% Change From 2003
Total	***765***	***8.9%***	***854***	***10.5%***
Japan	217	10.0%	218	11.7%
Australia & New Zealand	153	4.7%	188	6.3%
Taiwan	55	10.0%	73	11.7%
Hong Kong	68	10.0%	78	11.7%
South Korea	110	8.0%	111	9.6%
China	68	15.0%	79	16.7%
Other Asia Pacific	93	9.2%	107	10.8%

Tourism British Columbia forecasts that overnight visitation from the Asia/Pacific region will increase 8.9%, to 765,000 visitors, generating $854 million in revenue during 2004. This follows an estimated decrease of 19.4% in visitation during 2003, as travel from Asian markets was greatly impacted by SARS. The forecast for 2004 represents only a partial recovery from 2003; if the forecast is realized, visitor volume from Asia/Pacific will still be 10.7% lower than in 2002. Air seat capacity from Asia/Pacific to British Columbia is recovering and countries in the region are expected to experience relatively good economic growth this year. However, a possible recurrence of SARS, the potential that the virus responsible for Avian Flu will mutate to allow human to human transmission and the on-going threat of terrorism pose significant risks to this forecast.

Japan: Visitation from Japan is forecast to rise 10.0% in 2004, following an estimated 33.1% decrease during 2003. Historically, the Japanese travel market has been very sensitive to health and safety concerns, reacting more strongly to SARS than most other Asian markets. 2004 should see a partial rebound, however a full recovery will take some time. Despite the large decrease in visitation, air capacity from Japan to British Columbia only decreased 11.2% in 2003 and is expected to grow during 2004, which provides the capacity needed for increased visitation this year. Another positive for the travel industry is the surprisingly strong economic growth Japan experienced during 2003, which looks to continue into 2004.

Australia: Visitation from Australia is expected to rise 5.0% during 2004, following a 7.9% increase in 2003. Growing interest in British Columbia (particularly winter and cruise products), positive economic conditions, a strengthening Australian dollar and an increase in air seat capacity all contribute to sustaining growth for this market.

Taiwan: Visitation from Taiwan fell 35.1% in 2003 as the country was particularly hard hit by SARS. This followed declines of 27.9% during 2001 and a further 8.6% in 2002. Visitation from Taiwan has fallen 57.3% since 2000 due to the combined impacts of September 11th, a severe economic contraction in 2001, SARS and a large drop in air seat capacity to British Columbia. However, the economy is recovering and the steep fall in travel during the last three years has resulted in some pent up demand. A modest increase in air seat capacity will support a partial rebound in visitation (in the range of 10.0%) during 2004.

South Korea: The South Korean market was much less affected by SARS than most other Asian markets, with visitation falling only 3.2% during 2003. The South Korean economy is forecast to grow by more than 4.0% in 2004 and air seat capacity, which increased 11.4% in 2003, will grow further during 2004. Assuming that there are no major unanticipated shocks in 2004, visitation from South Korea should return to a strong growth path. A risk to this forecast is the negative impact that would result from increased tensions between North and South Korea.

China: Visitation from China fell 17.4% in 2003 due to the impact of SARS on outbound travel. However, by the end of the year, the impact had largely passed with December visitation down only 1.7%. Barring a recurrence of SARS or Avian Flu becoming a more serious issue, visitation from China should resume the rapid growth experienced in recent years, with visitation forecast to rise 15.0% in 2004. Air seat capacity, after falling 4.0% in 2003, will grow 21.3% during the first five months of 2004 according to current schedules. If current economic growth rates are maintained, per capita income will nearly double in a decade, providing an opportunity for sustained growth in visitation to British Columbia.

Europe 2004 Outlook	2004 Overnight Visitor Volume Forecast (000s)	% Change From 2003	2004 Overnight Visitor Revenue Forecast ($M)	% Change From 2003
Total	***568***	***3.2%***	***605***	***4.7%***
United Kingdom	277	3.0%	311	4.5%
Germany/Austria/Switzerland	119	3.0%	150	4.5%
Netherlands	38	2.0%	32	3.5%
France	23	5.0%	19	6.6%
Italy	18	12.0%	15	13.7%
Other Europe	94	2.7%	77	4.3%

Overnight visitation from Europe is forecast to rise 3.2% during 2004, with a total of 568,000 visitors generating $605 million in revenue in British Columbia. This follows an estimated 0.6% increase in visitation during 2003, as European visitation was less affected by the Iraq war, SARS, and other negative events during the year than visitation from other markets. Stronger economic growth in 2004 and the lagged effect of a 14.8% appreciation of the Euro (in real and nominal terms) over the last two years, which has decreased the cost of visiting British Columbia, will support modest growth in visitation this year. However, limited air seat capacity will continue to be a concern.

Primary risks to this forecast include the possibility of renewed terrorism or health and safety concerns, slower than anticipated economic growth during 2004, which would dampen growth in disposable income and consumer confidence, and a possible weakening of the Euro.

United Kingdom: After strong growth during 1999 and 2000, visitation from the United Kingdom fell 3.8% in 2001 and a further 7.2% during 2002 before rebounding modestly (up 1.4%) in 2003. While September 11th, SARS and the war in Iraq appear to have had little long term psychological impact on British travelers, decreases in air seat capacity to British Columbia have created a significant barrier to visitation during the last two years. Air seat capacity is expected to grow during 2004, partially relieving this constraint. The British economy performed relatively well during the second half of 2003 and is expected to pick up pace during 2004, which will increase consumer confidence and encourage travel. The British Pound depreciated 9.3% against the Canadian dollar in 2003, just offsetting an appreciation during 2002, leaving the cost of travel to British Columbia comparable to 2001. Over the same period, the Pound has appreciated against the US dollar while depreciating against the Australian and New Zealand – favouring travel to North America.

Germany: Until 2003, visitation from Germany had declined steadily since 1996 due to a combination of a weak economy, the depreciation of the Euro (and the Deutschmark before it) between 1996 and 2002 and decreases in air seat capacity. However, after falling 43.0% between 1996 and 2002, visitation from Germany grew 1.7% in 2003. This partial release of pent-up demand was partly due to the appreciation of the Euro in 2002, since German travelers tend to be very sensitive to exchange rate fluctuations, and also due to an increase in air seat capacity during 2003. Because of SARS and other events of 2003, the rebound in German visitation was not as great as it otherwise would have been; some growth will spill over into 2004 and future years. As well, German economic performance is expected to improve somewhat during 2004, which will also contribute to growth in long haul travel.

Other Europe: Generally, the economies of other European countries are expected to perform moderately well in 2004. Visitation from countries that showed significant declines in 2003 (such as Italy and the Nordic countries) is expected to rebound in 2004. Economic growth, combined with a lagged effect of the strengthened Euro and a moderate increase in air seat capacity, should allow for growth in visitation in the range of 4.0% to 5.0%.

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